

**CITY OF MISSOURI VALLEY**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

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## City of Missouri Valley

### Officials

#### (Before January 2010)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2010
Gene Dinsmore	Council Member	January 2010
Roger Marshall	Council Member	January 2012
Leonard Ratliff	Council Member	January 2012
Sherman Struble	Council Member	January 2012
Victoria Lee	Council Member	January 2010
Rita Miller	City Clerk, Administrator	Indefinite
Shane Warner	Attorney	Indefinite

#### (After January 2010)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2012
Gene Dinsmore	Council Member	January 2014
Brent Dillinger	Council Member	January 2014
Roger Marshall	Council Member	Resigned March 2010
Chris Brooks	Council Member	January 2012
Leonard Ratliff	Council Member	January 2012
Sherman Struble	Council Member	January 2012
Rita Miller	City Clerk, Administrator	Indefinite
Shane Warner	Attorney	Indefinite

**City of Missouri Valley**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

January 5, 2011

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Missouri Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditors' Report  
City of Missouri Valley

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 5, 2011 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schroer and Associates, P.C.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 47.6%, or approximately \$1,215,000 from fiscal year 2009 to fiscal year 2010. Bond and debt proceeds increased \$1,264,000, intergovernmental receipts decreased approximately \$82,000 and property tax receipts increased approximately \$15,000.
- Disbursements of the City's governmental activities increased 44% or approximately \$1,111,000 in fiscal year 2010 from fiscal year 2009. Public safety, capital projects, and debt service increased approximately \$308,000, \$775,000 and \$367,000, respectively. Culture and recreation disbursements decreased approximately \$412,000.
- The City's total cash basis net assets increased 8.8%, or approximately \$382,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$150,000, and the assets of the business type activities increased approximately \$232,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water and sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities increased by approximately \$150,000 from a year ago. The analysis that follows focuses on the changes in cash balances for government activities.

The City's property tax rate for fiscal 2010 is at \$17.925 per \$1,000 valuation, which is an increase from the property tax rate for fiscal 2009 of \$17.7767.

The cost of all governmental activities this year was approximately \$3,616,000. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$2,750,307. The city paid for this with property taxes and other receipts.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2010	2009
Receipts:			
Program receipts:			
Charges for service	\$	180	\$ 183
Operating grants, contributions and restricted interest		488	394
Capital grants, contributions and restricted interest		197	312
General receipts:			
Property tax		1,296	1,281
Tax increment financing		88	132
Local option sales tax		158	170
Grants and contributions not restricted to specific purposes		26	23
Miscellaneous		45	13
Unrestricted interest on investments		23	43
Total receipts		<u>2,502</u>	<u>2,551</u>
Disbursements:			
Operating:			
Public safety		813	505
Public works		559	519
Culture and recreation		402	814
Community and economic development		26	-
General government		254	247
Debt service		787	420
Capital projects		775	-
Total disbursements		<u>3,616</u>	<u>2,505</u>
Change in cash basis net assets before transfers		(1,114)	46
Other financing sources (uses), net		<u>1,264</u>	<u>-</u>
Change in cash basis net assets		150	46
Cash basis net assets, beginning of year		<u>3,036</u>	<u>2,990</u>
Cash basis net assets, end of year	\$	<u>3,186</u>	\$ <u>3,036</u>

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2010	2009
Receipts:			
Program receipts:			
Charges for service:			
Water	\$	576	\$ 616
Sewer		405	375
Capital grants, contributions and restrict interest		-	35
General receipts:			
Miscellaneous		11	18
Unrestricted interest on investments		16	17
Total receipts		1,008	1,061
Disbursements:			
Water		520	594
Water capital project		-	8
Sewer		256	232
Total disbursements		776	834
Change in cash basis net assets before transfers		232	227
Other financing sources (uses), net		-	-
Change in cash basis net assets		232	227
Cash basis net assets, beginning of year		1,303	1,076
Cash basis net assets, end of year	\$	1,535	\$ 1,303

The business type activities receipts for the fiscal year were approximately \$1,008,000, compared to \$1,060,000 last year. The slight decrease was due primarily to miscellaneous receipts received in the prior year. The cash balance increased approximately \$232,000 from the prior year. Total disbursements decreased approximately \$57,000 from the prior year.

## INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$3,186,139, an increase of \$150,024 from the prior year. The following reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund decreased \$55,393 from the prior year to \$249,529.
- The Road Use Tax Fund decreased \$46,676 from the prior year to \$291,266.
- The Employee Benefit Fund decreased \$11,478 from the prior year to \$91,335.
- The Local Option Sales Tax Fund decreased \$293,493 from the prior year to \$812,077 due to inter-fund transfers to capital projects and debt service.
- The Debt Service Fund increased \$41,969 from the prior year to \$1,170,902.

- The Capital Projects Fund increased \$523,031 from the prior year to \$419,076 mainly from bond proceeds and inter-fund transfers from the Local Option Sales Tax Fund.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund increased \$77,435 from the prior year to \$1,105,738.
- The Sewer Fund increased \$154,454 from the prior year to \$428,766. The increase was partially due to the increase in sewer fees in September 2008.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budget receipts by \$1,679,631 and increase budget disbursements by \$1,067,539. Total City disbursements were \$871,348 less than the budgeted amount.

## DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$6,279,044 in bonds and other long term debt, compared to approximately \$5,852,310 last year.

Outstanding Debt at Year End		
	June 30,	
	2010	2009
General Obligation notes	\$ 3,986,044	3,312,310
TIF Revenue bonds	475,000	560,000
Revenue notes	1,818,000	1,980,000
Total	\$ 6,279,044	5,852,310

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,461,044 is below its constitutional debt limit of approximately \$5,700,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Missouri Valley will have an increased budget for 2011 due to construction projects. Although the Watson Steam Train/Depot is up and running, the Third Street paving and water main project continues into FY11. This will add some construction expense; however, the paving portion was financed primarily through Local Option Sales Tax revenues for the first three years and the water main portion through water revenues, so property tax dollars will not be needed to cover the bond debt. Also a bond was paid off and another consolidated to get a better interest rate, thereby reducing the City's bond debt. The water main replacement across Willow Creek will take place in FY11. The continued rise in fuel prices, cost of equipment and supplies, major medical health insurance costs and the State rollback are negative economic factors which must be considered in the fiscal 2011 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita M. Miller, City Clerk, 223 East Erie Street, Missouri Valley, Iowa.

**City of Missouri Valley**  
**Basic Financial Statements**

City of Missouri Valley  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2010

			<b>Program</b>
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 813,276	10,611	117,792
Public works	558,641	84,449	304,783
Culture and recreation	402,419	70,403	34,055
Community and economic development	26,190	-	26,190
General government	253,601	14,393	5,724
Debt service	787,073	-	-
Capital projects	775,015	-	-
Total governmental activities	<u>3,616,215</u>	<u>179,856</u>	<u>488,544</u>
Business type activities:			
Water	520,241	576,161	-
Sewer	256,289	405,467	-
Total business type activities	<u>776,530</u>	<u>981,628</u>	<u>-</u>
Total	<u>\$ 4,392,745</u>	<u>1,161,484</u>	<u>488,544</u>

**General Receipts:**

Property tax levied for:
General purposes
Employee benefits
Debt service
Tax increment financing
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Note proceeds, net of \$21,000 discount
Miscellaneous
Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

    Nonexpendable  
        Cemetery perpetual care

Expendable:

    Streets  
    Employee benefits  
    Local option sales tax  
    Debt service  
    Capital projects  
    Other purpose  
    Meter deposits

Unrestricted

Total cash basis net assets

See notes to financial statements

Receipts	Net (Disbursement) Receipts and Changes In Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
Capital Grants Contributions and Restricted Interest			
-	(684,873)	-	(684,873)
-	(169,409)	-	(169,409)
-	(297,961)	-	(297,961)
-	-	-	-
-	(233,484)	-	(233,484)
-	(787,073)	-	(787,073)
197,508	(577,507)	-	(577,507)
197,508	(2,750,307)	-	(2,750,307)
-	-	55,920	55,920
-	-	149,178	149,178
-	-	205,098	205,098
197,508	(2,750,307)	205,098	(2,545,209)
\$	709,937	-	709,937
	265,874	-	265,874
	320,369	-	320,369
	88,554	-	88,554
	157,626	-	157,626
	25,697	-	25,697
	22,947	16,261	39,208
	1,264,000	-	1,264,000
	45,327	10,530	55,857
	2,900,331	26,791	2,927,122
	150,024	231,889	381,913
	3,036,115	1,302,615	4,338,730
\$	3,186,139	1,534,504	4,720,643
\$	86,652	-	86,652
	291,266	-	291,266
	91,335	-	91,335
	812,077	-	812,077
	1,170,902	188,930	1,359,832
	419,076	-	419,076
	65,302	-	65,302
	-	109,187	109,187
	249,529	1,236,387	1,485,916
\$	3,186,139	1,534,504	4,720,643

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2010

		Special	
	General	Road Use	Employee Benefits
Receipts			
Property tax	\$ 585,020	-	260,236
Tax increment financing collections	-	-	-
Other city tax	124,917	-	5,638
Licenses and permits	16,268	-	-
Use of money and property	44,395	-	-
Intergovernmental	68,155	303,902	-
Charges for service	132,566	-	-
Special assessments	1,945	-	-
Miscellaneous	161,333	-	1,135
Total receipts	1,134,599	303,902	267,009
Disbursements			
Operating:			
Public safety	698,076	-	115,200
Public works	132,835	350,578	75,228
Culture and recreation	352,028	-	50,391
Community and economic development	26,120	-	-
General government	215,933	-	37,668
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,424,992	350,578	278,487
Excess (deficiency) of receipts over (under) disbursements	(290,393)	(46,676)	(11,478)
Other financing sources (uses):			
Note proceeds, net of \$21,000 discount	235,000	-	-
Operating transfers in	-	-	-
Operating transfers out	-	(10,425)	-
Total other financing sources (uses)	235,000	(10,425)	-
Net change in cash balances	(55,393)	(57,101)	(11,478)
Cash balances beginning of year	304,922	348,367	102,813
Cash balances end of year	\$ 249,529	291,266	91,335
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	249,529	-	-
Special revenue funds	-	291,266	91,335
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 249,529	291,266	91,335

See notes to financial statements



**Exhibit B**

Revenue			Other Nonmajor Governmental Funds	Total
Local Option Sales Tax	Debt Service	Capital Projects		
-	313,769	-	-	1,159,025
-	-	-	88,554	88,554
157,626	6,600	-	-	294,781
-	-	-	-	16,268
-	-	-	784	45,179
-	-	186,310	-	558,367
-	-	27,677	-	160,243
-	-	-	-	1,945
-	-	13,634	1,775	177,877
157,626	320,369	227,621	91,113	2,502,239
-	-	-	-	813,276
-	-	-	-	558,641
-	-	-	-	402,419
-	-	-	70	26,190
-	-	-	-	253,601
-	787,073	-	-	787,073
-	-	775,015	-	775,015
-	787,073	775,015	70	3,616,215
157,626	(466,704)	(547,394)	91,043	(1,113,976)
-	169,000	860,000	-	1,264,000
-	339,673	210,425	-	550,098
(451,119)	-	-	(88,554)	(550,098)
(451,119)	508,673	1,070,425	(88,554)	1,264,000
(293,493)	41,969	523,031	2,489	150,024
1,105,570	1,128,933	(103,955)	149,465	3,036,115
812,077	1,170,902	419,076	151,954	3,186,139
-	1,170,902	-	-	1,170,902
-	-	-	-	249,529
812,077	-	-	65,302	1,259,980
-	-	419,076	-	419,076
-	-	-	86,652	86,652
812,077	1,170,902	419,076	151,954	3,186,139

City of Missouri Valley  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 576,161	405,467	981,628
Operating disbursements:			
Business type activities	<u>386,706</u>	<u>145,953</u>	<u>532,659</u>
Excess of operating receipts over operating disbursements	189,455	259,514	448,969
Non-operating receipts (disbursements):			
Intergovernmental	-	-	-
Interest on investments	10,985	1,254	12,239
Rent	-	4,022	4,022
Miscellaneous	10,530	-	10,530
Debt service	<u>(133,535)</u>	<u>(110,336)</u>	<u>(243,871)</u>
Total non-operating receipts (disbursements)	<u>(112,020)</u>	<u>(105,060)</u>	<u>(217,080)</u>
Net change in cash balances	77,435	154,454	231,889
Cash balances beginning of year	<u>1,028,303</u>	<u>274,312</u>	<u>1,302,615</u>
Cash balances end of year	\$ <u>1,105,738</u>	<u>428,766</u>	<u>1,534,504</u>

**Cash Basis Fund Balances**

Reserved:			
Debt service	\$ 137,430	51,500	188,930
Meter deposits	109,187	-	109,187
Unreserved	<u>859,121</u>	<u>377,266</u>	<u>1,236,387</u>
Total cash basis fund balances	\$ <u>1,105,738</u>	<u>428,766</u>	<u>1,534,504</u>

See notes to financial statements

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (1) Summary of Significant Accounting Policies**

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission, Youth Enhancement Association, Southwest Iowa Planning Council, and Harrison County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefit Fund is used to account for property taxes levied to pay employee benefits.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Fund - Capital Projects Account accounts for all resources used in the construction of capital facilities for the water fund.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the budgeted amounts.

**E. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The carrying amount of cash at June 30, 2010 is \$4,547,385. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$4,318,794 is covered by federal depository insurance and \$228,406 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2010, the City had the following investments:

Type	Carrying Amount	Fair Value
Public Service Co. Oklahoma Note	\$ 26,167	\$ 25,150
Insured Municipal Funds	47,091	42,075
U.S. Government Securities	100,000	100,219
	<u>\$ 173,258</u>	<u>\$ 167,444</u>

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (2) Cash and Pooled Investments - Continued**

Credit risk

The City's investments listed above are rated as a Category 1 which are insured or registered securities, or securities held by the City or its agent, in the City's name.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City's total cash and investment was \$4,720,643 at June 30, 2010.

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds, urban renewal tax increment financing revenue bonds, and revenue notes are as follows:

Year Ended June 30,	General Obligation Debt Principal	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Principal	Revenue Bonds Principal	Total Principal
2011	\$ 400,558	\$ 90,000	\$ 173,000	\$ 663,558
2012	409,255	90,000	180,000	679,255
2013	301,231	95,000	70,000	466,231
2014	284,000	100,000	75,000	459,000
2015	296,000	100,000	80,000	476,000
2016-2020	895,000	-	435,000	1,330,000
2021-2025	960,000	-	550,000	1,510,000
2026-2027	440,000	-	255,000	695,000
Total	\$ 3,986,044	\$ 475,000	\$ 1,818,000	\$ 6,279,044

  

Year Ended June 30,	Interest	Interest	Interest	Interest
2011	\$ 146,828	\$ 18,555	\$ 74,945	\$ 240,328
2012	134,881	15,225	67,366	217,472
2013	124,247	11,805	62,343	198,395
2014	115,173	8,100	59,998	183,271
2015	106,191	4,100	57,335	167,626
2016-2020	406,960	-	237,827	644,787
2021-2025	227,048	-	135,250	362,298
2026-2027	29,817	-	17,840	47,657
Total	\$ 1,291,145	\$ 57,785	\$ 712,904	\$ 2,061,834

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (3) Bonds and Notes Payable - Continued**

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$980,000 of urban renewal tax increment financing revenue bonds in November 2005, for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$532,785, payable through June 2015. For the current year, total principal and interest paid and total TIF receipts were \$106,615 and \$88,554, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,725,000 in water revenue notes issued in April 2010. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are projected to produce 70 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$2,306,823. For the current year, total principal and interest paid and total customer net receipts were \$133,535 and \$189,455, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$337,000 and \$885,000 in sewer revenue notes issued in March 1992 and November 2006, respectively. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2012. Annual principal and interest payments on the notes required less than 45 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$224,081. For the current year, principal and interest paid and total current customer net receipts were \$110,336 and \$259,514, respectively.



City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (3) Bonds and Notes Payable - Continued**

Revenue Notes - Continued

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.

The City has complied with the revenue note provisions.

The City has a legal debt limit of approximately \$5,700,000 which was not exceeded during the year ended June 30, 2010.

**NOTE (4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$49,377, \$48,425, and \$51,274, respectively, equal to the required contributions for each year.

**NOTE (6) Other Postemployment Benefits (OPEB)**

Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 15 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (6) Other Postemployment Benefits (OPEB) - Continued**

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$447 for single coverage, \$842 for single plus children, \$911 for single plus one, and \$1,363 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$6,832 and the plan member eligible for benefits contributed \$1,135 to the plan.

**NOTE (5) Leases**

In December 2006, the City entered into a lease agreement for a piece of equipment for \$145 per month for 48 months. Rent expense for the operating lease for the year ended June 30, 2010, was \$1,740. Future minimum lease payments are as follows:

For the year ended:	
06-30-11	\$ <u>725</u>

**NOTE (6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2010, primarily relating to the General Fund is \$29,296.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$438 at June 30, 2010.

These liabilities are computed based on rates of pay effective as of June 30, 2010.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (7) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The city's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$81,641.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (9) Risk Management – Continued**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (8) Commitments**

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$21,936 in January 2010.

**NOTE (9) Missouri Valley Development Corporation Agreement**

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

City of Missouri Valley  
Notes to Financial Statements  
June 30, 2010

**NOTE (9) Missouri Valley Development Corporation Agreement – Continued**

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2010 of \$1,375. The balance of the loan is \$25,000 at June 30, 2010.

Additionally, the City agreed to a tax rebate to the occupant of the building for eight years. The City agreed to pay the occupant 80% of the taxes collected on the property in the first year, with the percentage decreasing 10% per year for the next seven years.

In December, 2010, the City remitted the required tax rebate payment to the occupant in the amount of \$1,045.

**NOTE (10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue:	
	Road Use Tax	\$ 10,425
	Local Option Sales Tax	200,000
		<u>210,425</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	251,119
	Urban Renewal Tax Increment	88,554
		<u>339,673</u>
		<u>\$ 550,098</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

**NOTE (12) Construction Contracts**

The City issued bonds for improvements on 3<sup>rd</sup> Street of \$860,000. The contract commitments on the project to date are as follows:

	Estimated Contract Amount	Paid to Date	Remaining Commitment
Construction contract	\$ 816,618	407,202	409,416
Engineering	187,589	160,130	<u>27,459</u>
			<u>\$ 436,875</u>

Retainage payable on the construction contract due at June 30, 2010 was \$21,432.

**Required Supplementary Information**

City of Missouri Valley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 1,159,025	-	1,159,025
Tax increment financing collections	88,554	-	88,554
Other city tax	294,781	-	294,781
Licenses and permits	16,268	-	16,268
Use of money and property	45,179	16,261	61,440
Intergovernmental	558,367	-	558,367
Charges for service	160,243	978,627	1,138,870
Special assessments	1,945	3,001	4,946
Miscellaneous	177,877	10,530	188,407
Total receipts	<u>2,502,239</u>	<u>1,008,419</u>	<u>3,510,658</u>
Disbursements			
Public safety	813,276	-	813,276
Public works	558,641	-	558,641
Culture and recreation	402,419	-	402,419
Community and economic development	26,190	-	26,190
General government	253,601	-	253,601
Debt service	787,073	-	787,073
Capital projects	775,015	-	775,015
Business type activities	-	776,530	776,530
Total disbursements	<u>3,616,215</u>	<u>776,530</u>	<u>4,392,745</u>
Excess (deficiency) of receipts over (under) disbursements	(1,113,976)	231,889	(882,087)
Other financing sources, net	<u>1,264,000</u>	<u>-</u>	<u>1,264,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	150,024	231,889	381,913
Balances beginning of year	<u>3,036,115</u>	<u>1,302,615</u>	<u>4,338,730</u>
Balances end of year	<u>\$ 3,186,139</u>	<u>1,534,504</u>	<u>4,720,643</u>

See accompanying independent auditors' report

Budgeted Amounts		Final to
Original	Final	Net Variance
1,181,729	1,181,729	(22,704)
99,915	99,915	(11,361)
293,378	293,378	1,403
12,301	12,301	3,967
78,290	78,290	(16,850)
284,612	387,036	171,331
1,153,775	1,153,775	(14,905)
-	-	4,946
65,555	65,555	122,852
3,169,555	3,271,979	238,679
558,013	839,087	25,811
499,777	618,846	60,205
726,959	726,959	324,540
-	27,000	810
283,349	283,349	29,748
433,445	790,014	2,941
1,026,000	1,159,827	384,812
819,011	819,011	42,481
4,346,554	5,264,093	871,348
(1,176,999)	(1,992,114)	1,110,027
-	1,427,207	(163,207)
(1,176,999)	(564,907)	946,820
3,758,260	3,758,260	580,470
2,581,261	3,193,353	1,527,290



City of Missouri Valley  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,529,631 and increased budgeted disbursements by \$917,539. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010 disbursements did not exceed the amended budgeted amounts.

### **Other Supplementary Information**

City of Missouri Valley  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2010

	Special Revenue		Permanent	
	Urban Renewal Tax Increment	CDBG Housing Rehab	Cemetery Perpetual Care	Total
Receipts:				
Tax increment financing collections	\$ 88,554	-	-	88,554
Use of money and property	-	784	-	784
Miscellaneous	-	1,375	400	1,775
Total receipts	88,554	2,159	400	91,113
Disbursements				
Community and economic development	-	70	-	70
Excess of receipts over disbursements	88,554	2,089	400	91,043
Other financing uses:				
Operating transfers out	(88,554)	-	-	(88,554)
Net change in cash balances	-	2,089	400	2,489
Cash balances beginning of year	-	63,213	86,252	149,465
Cash balances end of year	\$ -	65,302	86,652	151,954

**Cash Basis Fund Balances**

Unreserved:				
Special revenue funds	\$ -	65,302	-	65,302
Permanent fund	-	-	86,652	86,652
Total cash basis fund balances	\$ -	65,302	86,652	151,954

See accompanying independent auditors' report

City of Missouri Valley  
Schedule of Indebtedness  
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation debt:			
Bridge improvement	Jul 1, 1999	4.85 %	\$ 240,000
General purpose notes	Nov 1, 2001	5.00 %	455,000
Ambulance	May 16, 2006	5.63 %	77,850
Dump truck	Feb 23, 2009	5.00 %	72,429
Water improvement	Apr 24, 2009	2.90 - 4.50 %	2,980,000
Street sweeper	May 12, 2009	4.09 %	112,000
Fire truck	Feb 4, 2010	3.35 %	235,000
3 <sup>rd</sup> street improvements	Nov 24, 2009	1.35 - 3.40 %	1,050,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds:			
General obligation and refunding bonds	Nov 22, 2005	3.70 - 4.10 %	\$ 980,000
Revenue notes:			
Sewer	Mar 16, 1992	3.00 %	\$ 337,000
Sewer	Nov 1, 1996	5.60 - 5.75 %	885,000
Water	Apr 15, 2009	2.75 - 4.65 %	1,725,000
Total			

See accompanying independent auditors' report

## Schedule 2

<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 30,000	-	30,000	-	699	-
155,000	-	155,000	-	3,640	-
30,333	-	30,333	-	1,752	-
45,618	-	14,449	31,169	2,349	-
2,960,000	-	120,000	2,840,000	116,800	-
91,359	-	21,485	69,874	3,737	-
-	235,000	-	235,000	-	-
-	1,050,000	240,000	810,000	10,919	-
<u>\$ 3,312,310</u>	<u>1,285,000</u>	<u>611,267</u>	<u>3,986,043</u>	<u>139,896</u>	<u>-</u>
\$ 560,000	-	85,000	475,000	21,615	-
\$ 70,000	-	22,000	48,000	1,770	-
240,000	-	75,000	165,000	11,566	-
<u>1,670,000</u>	<u>-</u>	<u>65,000</u>	<u>1,605,000</u>	<u>68,535</u>	<u>-</u>
\$ 1,980,000	-	162,000	1,818,000	81,871	-

City of Missouri Valley  
Bond and Note Maturities  
June 30, 2010

Year Ending June 30,	Dump Truck Issued Feb 23, 2009		Water Improvements Issued Apr 24, 2009		General Obligation Street Sweeper Issued May 12, 2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2011	5.00 %	\$ 15,194	2.90 %	\$ 125,000	4.09 %	\$ 22,364
2012	5.00 %	15,975	3.00 %	125,000	4.09 %	23,279
2013	-	-	3.20 %	130,000	4.09 %	24,231
2014	-	-	3.40 %	135,000	-	-
2015	-	-	3.60 %	140,000	-	-
2016	-	-	3.80 %	145,000	-	-
2017	-	-	3.90 %	150,000	-	-
2018	-	-	4.00 %	155,000	-	-
2019	-	-	4.10 %	165,000	-	-
2020	-	-	4.15 %	170,000	-	-
2021	-	-	4.20 %	175,000	-	-
2022	-	-	4.25 %	185,000	-	-
2023	-	-	4.30 %	190,000	-	-
2024	-	-	4.35 %	200,000	-	-
2025	-	-	4.40 %	210,000	-	-
2026	-	-	4.45 %	215,000	-	-
2027	-	-	4.50 %	225,000	-	-
Total		\$ 31,169		\$ 2,840,000		\$ 69,874

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		
GO Corp and Refunding Notes Issued Nov 22, 2005		
Year Ending June 30,	Interest Rate	Amount
2011	3.70 %	\$ 90,000
2012	3.80 %	90,000
2013	3.90 %	95,000
2014	4.00 %	100,000
2015	4.10 %	100,000
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	-	-
2027	-	-
Total		\$ 475,000

See accompanying independent auditors' report

**Debt**

Fire Truck Issued Feb 23, 2009		3 <sup>rd</sup> Street Improvement Issued Nov 24, 2009		Total
Interest Rate	Amount	Interest Rate	Amount	
3.35 %	\$ 43,000	1.35 %	\$ 195,000	\$ 400,558
3.35 %	45,000	1.80 %	200,000	409,254
3.35 %	47,000	2.35 %	100,000	301,231
3.35 %	49,000	2.75 %	100,000	284,000
3.35 %	51,000	3.15 %	105,000	296,000
-	-	3.40 %	110,000	255,000
-	-	-	-	150,000
-	-	-	-	155,000
-	-	-	-	165,000
-	-	-	-	170,000
-	-	-	-	175,000
-	-	-	-	185,000
-	-	-	-	190,000
-	-	-	-	200,000
-	-	-	-	210,000
-	-	-	-	215,000
-	-	-	-	225,000
	<u>\$ 235,000</u>		<u>\$ 810,000</u>	<u>\$ 3,986,043</u>

**Revenue Notes**

Sewer Issued Oct. 15, 1999		Sewer Issued Feb. 28, 2003		Water Issued Apr 15, 2009		Total
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
3.00 %	\$ 23,000	5.70 %	\$ 80,000	3.05 %	\$ 70,000	\$ 173,000
3.00 %	25,000	5.75 %	85,000	3.15 %	70,000	180,000
-	-	-	-	3.35 %	70,000	70,000
-	-	-	-	3.55 %	75,000	75,000
-	-	-	-	3.75 %	80,000	80,000
-	-	-	-	3.95 %	80,000	80,000
-	-	-	-	4.05 %	85,000	85,000
-	-	-	-	4.15 %	85,000	85,000
-	-	-	-	4.25 %	90,000	90,000
-	-	-	-	4.30 %	95,000	95,000
-	-	-	-	4.35 %	100,000	100,000
-	-	-	-	4.40 %	105,000	105,000
-	-	-	-	4.45 %	110,000	110,000
-	-	-	-	4.50 %	115,000	115,000
-	-	-	-	4.55 %	120,000	120,000
-	-	-	-	4.60 %	125,000	125,000
-	-	-	-	4.65 %	130,000	130,000
	<u>\$ 48,000</u>		<u>\$ 165,000</u>		<u>\$ 1,605,000</u>	<u>\$ 1,818,000</u>

City of Missouri Valley  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Six Years

	2010	2009	2008	2007	2006	2005
<b>Receipts</b>						
Property tax	\$ 1,159,025	1,139,007	993,959	906,871	954,490	947,298
Tax increment financing collections	88,554	132,418	76,174	172,242	264,215	274,845
Other city tax	294,781	312,273	295,582	270,813	260,569	266,249
Licenses and permits	16,268	8,082	6,612	6,631	10,690	8,278
Use of money and property	45,179	80,896	143,153	186,868	71,127	28,913
Intergovernmental	558,367	640,206	427,167	602,242	293,004	319,538
Charges for service	160,243	140,819	146,554	162,842	170,013	163,518
Special assessments	1,945	2,811	7,006	-	-	-
Miscellaneous	177,877	95,635	121,909	128,942	53,296	190,965
<b>Total</b>	<b>\$ 2,502,239</b>	<b>2,552,147</b>	<b>2,218,116</b>	<b>2,437,451</b>	<b>2,077,404</b>	<b>2,199,604</b>
<b>Disbursements</b>						
Operating:						
Public safety	\$ 813,276	504,789	510,017	469,765	428,948	377,636
Public works	558,641	519,356	477,145	404,610	483,418	377,457
Culture and recreation	402,419	814,237	440,063	430,750	376,793	428,532
Community and economic development	26,190	-	-	302,070	598,168	-
General government	253,601	247,460	312,698	269,048	280,952	242,345
Debt service	787,073	420,384	264,138	363,538	684,935	322,746
Capital projects	775,015	-	61,483	-	75,971	199,138
<b>Total</b>	<b>\$ 3,616,215</b>	<b>2,506,226</b>	<b>2,065,544</b>	<b>2,239,781</b>	<b>2,929,185</b>	<b>1,947,854</b>

See accompanying independent auditors' report



**City of Missouri Valley**



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

January 5, 2011

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 5, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Missouri Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Missouri Valley's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Continued...

City of Missouri Valley  
Independent Auditors' Report on  
Internal Control and Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Missouri Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Missouri Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Missouri Valley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Missouri Valley and other parties to whom the City of Missouri Valley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Missouri Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer and Associates, P.C.*

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2010

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No matters were reported.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2010

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-10     Certified Budget  
Disbursements during the year ended June 30, 2010 did not exceed the amended budgeted amounts.
- II-B-10     Entertainment Expense  
We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10     Travel Expense  
No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-10     Business Transactions  
We noted no business transactions between the City and City officials or employees.
- II-E-10     Bond Coverage  
Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10     Council Minutes  
No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-10     Revenue Notes  
The City is in compliance with the provisions of the bond resolutions.
- II-H-10     Excess Balances  
Comment – The balances in the Special Revenue Fund, Local Option Sales Tax Account, CDBG Account, the Debt Service Fund, the Water Fund, and the Sewer Fund at June 30, 2010, were in excess of the accounts' disbursements for the year.  
  
Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.  
  
Response – We will review the Debt Service Fund further before the next budget is certified. We plan to utilize the funds in the Local Option Sales Tax Account for the Third Street paving project.  
  
Conclusion – Response accepted.

City of Missouri Valley  
Schedule of Findings  
Year Ended June 30, 2010

**Part II: Other Findings Related to Statutory Reporting Continued:**

II-I-10      Deposits and Investments

Comment – The City had a variety of investments held in a depository outside the State of Iowa.

Recommendation – Chapters 12C.4 and 12C.5 of the Code of Iowa state in part that “deposits must be held in the County, or adjoining County in which the City is located unless deposits are refused, then the deposits must be held in depositories within the State of Iowa.” The City should deposit funds in allowable depositories.

Response – We will attempt to get the Library to move their investments to allowable depositories.

Conclusion – Response acknowledged.

II-K-10      Other Information Required by Bond Resolution

Insurance

Adequate insurance was in force at June 30, 2010.

Statistical Information

Utility customers served at June 30, 2010	1,219
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Gallons billed during the year ended June 30, 2010 were approximately	86,317,200
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